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DE RUEHKT #0366/01 0451204
ZNY CCCCC ZZH
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FM AMEMBASSY KATHMANDU
TO RUEHC/SECSTATE WASHDC IMMEDIATE 4949
INFO RUEHBJ/AMEMBASSY BEIJING PRIORITY 5368
RUEHLM/AMEMBASSY COLOMBO PRIORITY 5669
RUEHKA/AMEMBASSY DHAKA PRIORITY 0862
RUEHIL/AMEMBASSY ISLAMABAD PRIORITY 3678
RUEHLO/AMEMBASSY LONDON PRIORITY 4997
RUEHNE/AMEMBASSY NEW DELHI PRIORITY 0993
RUEHCI/AMCONSUL KOLKATA PRIORITY 3131
RUEHGV/USMISSION GENEVA PRIORITY 1521
RUEKJCS/SECDEF WASHDC PRIORITY
RUCNDT/USMISSION USUN NEW YORK PRIORITY 2423
RHEFDIA/DIA WASHDC PRIORITY
RHMFISS/CDR USPACOM HONOLULU HI PRIORITY
RUEAIIA/CIA WASHDC PRIORITY
RHEHNSC/NSC WASHDC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 03 KATHMANDU 000366

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E.O. 12958: DECL: 02/14/2017

TAGS: [PGOV](#) [PREL](#) [PTER](#) [PREF](#) [NP](#)

SUBJECT: NEPAL: PM'S ADVISOR UPBEAT ABOUT PEACE PROCESS

REF: KATHMANDU 317

Classified By: DCM Nicholas J. Dean. Reasons 1.4 (b/d).

Summary

1. (C/NF) Dr. Suresh Chalise, the Prime Minister's Foreign Policy Advisor, told the DCM February 12 that he was confident that the Government of Nepal (GON) would find a solution to the situation in the Terai. The Maoists had been put on the defensive due to the Terai unrest, and the Nepali Congress party planned to exploit Madhesi rights agitation to counter the Maoists. Chalise complained that the Government of India (GOI) was attempting to control the situation in Nepal for its own benefit. Arms management had been proceeding well. Chalise expected that the GON would have no problem holding the line against allowing the Maoists into an interim government until arms management was complete, perhaps in late February or early March. Elections would likely need to be put off until September; Chalise believed that the power of democracy could overcome any negative aspects. Although the PM's health had been poor, Koirala was determined to carry on.

Terai Demand #1: Home Minister Should Resign

2. (C) On February 12, Dr. Suresh Chalise, the Prime Minister's Foreign Policy Advisor, told the DCM he was confident that the GON would find a solution to the Terai crisis. The GON recognized the Madhesi protestors' demand that Home Minister Krishna Prasad Sitaula should resign, but remained a "house divided" on whether Sitaula should be fired or not. The Prime Minister was in a precarious position on the issue because the Maoists had supported keeping Sitaula, and the Indian Ambassador had pressed the PM not to sack Sitaula. Chalise worried that finding a replacement would be difficult as well. He said that the PM was biding his time until an opportune moment came along to discuss Sitaula.

Nepali Congress Can Exploit the Terai Unrest

3. (C) Chalise stressed that the Terai was an important

constituency for the Prime Minister's Nepali Congress Party (NC) and the GON intended to address its inhabitants' concerns. The PM was adamant about amending the Interim Constitution to enshrine the ideal of a federal state and proportional representation, key demands of the Madhesi rights movement. Unrest in the Terai had been a blow to the Maoists, undermining their sense of political invincibility. Chalise said that the NC planned to exploit the groups in the Terai, especially the Madhesi People's Rights Forum (MPRF), and use them to help counter the Maoists during the ongoing peace negotiations. The GON planned to meet with groups from the Terai soon to address their demands.

India Playing Games in Nepal

¶4. (C/NF) Chalise asserted that the GOI had taken a "multi-pronged" approach to Nepal for its own benefit. The GOI wanted to penetrate Nepali society at every level and in all aspects, from the palace to the political parties to the Maoists. Chalise stated that the GOI had a particular interest in Sitaula remaining Home Minister. He claimed that the Indians had used the Terai protests to weaken the Maoists, and with a weak Home Minister, the GOI could continue to influence events in Nepal.

Arms Management Positive; GON Holding the Line

¶5. (C) Chalise told the DCM that he believed that the UN-monitored arms management process was proceeding well, although he conceded that the UN would not provide a final

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tally until the process was complete. The GON was confident it could resist pressure from the Maoists to let them into an interim government before arms management was complete. Complete meant separation of all arms from combatants and full registration the People's Liberation Army in the UN-monitored cantonments, a process that he anticipated could be finished by the end of February or early March. The recent events in the Terai had distracted both the GON and the Maoists from the issue of arms management, but had also loosened the Maoists hold on the GON. Chalise confided that although the governing Seven-Party Alliance (SPA) had previously been critical of the Maoists in private, he hoped that the parties would be more public with their criticism of the Maoists in the coming days.

Maoist Protective Security Details an Issue

¶6. (C) The Foreign Policy Advisor stated that the GON was worried about Maoist protective security details. The GON and the UN had agreed that the protective details needed to be registered and their weapons catalogued. The PM planned to make good on the GON's decision to allow the Maoists to provide armed protection to Maoist central leaders, but this would not extend to district- or local-level leaders. Post has heard in recent days that the Maoists wanted to expand the level to which VIP protection was given. The November Comprehensive Peace Agreement left the matter of security of Maoist leaders up to agreement between the two sides.

Elections Might Be Delayed

¶7. (C) Chalise stated that the date for the Constituent Assembly election would likely slip until September 2007. He added that he would never admit this possibility in public, given popular pressure for June polls as planned. Even though the Maoists had previously taken a hard line on the June date, they had come increasingly to accept the possibility of a delay. Chalise stressed that the power of the democratic process could overwhelm all the schemes and devices of the Maoists and would ultimately bind the Maoists

into the political mainstream.

PM's Health Poor--But He Will Carry On

18. (C) Chalise said that the PM's health remained poor, and that he had jaundice. (Note: Media reports indicated that the water supply at the PM's residence had been contaminated with sewage, and many people in the Cabinet and the PM's inner circle had been afflicted with jaundice, which we understand is a symptom of hepatitis. The PM's physician subsequently publicly confirmed that the PM was suffering from hepatitis E. End Note.) The PM was determined not to slow down because he realized the importance of his work to the ongoing peace process, which he was committed to bringing to a successful conclusion. The Prime Minister's daughter, Sujata Koirala, previously told Emboff that the PM was so ill that he was sleeping all the time. His advisors were only waking him up for important meetings or to make important decisions. Ms. Koirala was very worried about her father's health and what would happen to the party and the government if something happened to him.

Bhutanese Refugees: Go Ahead and Begin

19. (C) Chalise volunteered that the February 9 decision of the Prime Minister to allow a U.S. resettlement program for Bhutanese refugees (reftel) was a positive one, and that the GON looked forward to working with us on it. The DCM informed Chalise that the U.S. planned to proceed with the process of identifying an overseas processing entity for resettlement. Chalise supported these next steps.

Comment

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110. (C) Chalise was more upbeat at the meeting with the DCM than in recent meetings. The GON has gotten a boost from the recent events in the Terai, which revealed to the entire country that the Maoists had nowhere near the broad support they claimed. The Madhesis stood up to the Maoists, and the Maoists were compelled to back down. However, the NC could be following a dangerous path by attempting to exploit the protesting groups in the Terai for its own ends -- a strategy that could easily backfire. Chalise's remarks that the Government of Nepal intended to delay the entry of the Maoists into an interim government until completion of arms management and combatant registration is good news. His estimate that combatant registration would be complete by early March, however, does not track with the UN's plans for full arms monitor deployment only by March 15. While events in the Terai have deflected Maoist pressure to enter the GON as soon as possible, we expect the Maoists to refocus and resume pressure tactics as soon as they are able.
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